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**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD
ON ITS FORTY-THIRD SESSION**

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INTRODUCTION: GENERAL DEBATE

Speakers: Out-going President
Newly-elected President
Secretary-General of UNCTAD
Cameroon (for Group of 77 and China)
Pakistan (for Asian Group)
Cuba (for Latin American and Caribbean Group)
Kenya (for African Group)
Bangladesh (for least developed countries)
Ireland (for European Union)
Russian Federation
Japan

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Friday, 25 October 1996, at the latest** to:

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INTRODUCTION

1. Opening the forty-third session of the Trade and Development Board, the out-going President of the Board, Mr. William Rossier of Switzerland, observed that his year-long tenure of the presidency had coincided with a period of immense challenge for UNCTAD, which had spanned the preparatory process for the ninth session of the Conference, the Conference itself in Midrand, South Africa, and the early stages of the implementation of the Midrand Declaration and A Partnership for Growth and Development. As an exercise in multilateral cooperation, UNCTAD IX had undoubtedly been a resounding success - a win-win outcome for all parties. UNCTAD had emerged rejuvenated, strengthened and ready to face the arduous new challenges ahead. Indeed, it was vital to ensure that the Midrand decisions were implemented quickly and fully, that they were translated into tangible results. Barely two months after the close of the Conference, the thirteenth executive session of the Board had taken the decisions necessary to launch the post-Midrand implementation process. For his part, the Secretary-General of UNCTAD had completed the restructuring of the secretariat in the light of the Midrand decisions. Of course, the follow-up to Midrand was not something that would be over and done in a matter of months: it was a continuous process, the success of which could be gauged only in four years' time, on the eve of the tenth session of the Conference in Thailand. But his observation, during his presidency, of the cooperative will of the member States and the mood of the secretariat had fortified his faith in the eventual triumph of the spirit of Midrand.

2. The newly elected President of the Board, Mr. Patrick Sinyinza of Zambia, said that the confidence of the international community in UNCTAD as an organization capable of leading the way into the 21st century in a changing world had been given collective expression in the Midrand Declaration and A Partnership for Growth and Development. Subsequently, the leaders of the G.7 Summit, meeting in Lyon, France, had stated in their final communique that UNCTAD IX had been a milestone in the renewal of UNCTAD, having succeeded in reforming the intergovernmental machinery of UNCTAD and refocusing its work on a small number of priorities to promote development through trade and investment with the aim of facilitating the integration of developing countries in the international trade system. Likewise, the Ministers for Foreign Affairs of the Group of 77 and China, in the Ministerial Declaration of their Twentieth Annual Meeting, had welcomed the outcome of UNCTAD IX and reaffirmed their strong commitment to strengthening UNCTAD, urging the international community to provide the organization with political and financial support to enable it to discharge its mandate fully.

3. In this context, he felt sure that delegations had come to the current session of the Board not to fulfil routine representational formalities but, stimulated and motivated by the in-depth and solid analytical reports prepared by the secretariat, to hold a serious dialogue on issues that were of primary concern to their policy-makers. The secretariat reports, in particular the Trade and Development Report 1996 and the World Investment Report 1996, had attracted the attention of the media worldwide in both developed and developing countries. When one looked at the current world economic situation, it was clear that many developing countries were now performing well economically, but a firm resolve to deal with the overwhelming problems that weighed upon the poorest countries lay at the core of the Board's work. UNCTAD had tuned itself to the realities of a rapidly changing world by striving to reach all actors in development, including key decision-makers in the private sectors - an aspect that was clearly visible in the arrangements made for the high-level segment of the Board. He hoped that all participants in the Board, in working together, would devote their experience, wisdom and competence to the successful implementation of the outcome of UNCTAD IX.

4. The Secretary-General of UNCTAD said that the reform process which he had undertaken in UNCTAD since UNCTAD IX had taken longer than expected in view of the complexity of the problems. As a result of the reforms, the eight Divisions in existence before Midrand had now been reduced to four Divisions dealing with the main areas of work agreed upon in the Midrand final document. Henceforth, the analytical work, consensus-building and technical cooperation related to LDCs would be dealt with by the four Divisions in their respective spheres, each Division having a focal point for this purpose. He was currently seeking the best possible candidate to fill the post of Special Coordinator for Least Developed, Landlocked and Island Developing Countries.

5. In general terms, the restructuring of the secretariat had resulted in reduced costs and greater efficiency. Professional posts had been reduced by 12.5 per cent, while posts in the General Service category had been reduced by 11.1 per cent. In other words, one in eight regular UNCTAD staff members had gone. Moreover, the decrease in the number of meetings days per year agreed upon in Midrand would lead to considerable savings in the United Nations budget. The fundamental aim was to achieve a performance-driven organization that was more and more relevant to the development needs of the most needy countries - an organization that was fully accountable to its member States. He urged delegations, for their part, to avoid reopening questions that had been resolved or engaging in micro-management of the secretariat's activities. There was now a need for a period of stability to facilitate the implementation of the Midrand provisions. Monitoring of progress would henceforth be an integral part of the

new management style, and the secretariat stood ready to be judged on results. But in view of the difficulty of the tasks that lay ahead, he appealed to member States to maintain a sense of proportion in passing judgement on the secretariat's efforts.

6. The recent substantive work of the secretariat had been inspired by a reflection on the success of the South-East Asian economic experience. The secretariat had come to the conclusion that there were lessons in the South-East Asian experience that could often be replicated to advantage by developing countries, including LDCs, in other regions. The original development aims of UNCTAD remained at the centre of its functions and its *raison d'être*. But with the approach of the year 2000, it was appropriate to look closely at what changes had been taking place in the practical and theoretical aspects of development. One could begin by taking stock, before moving on to an examination of the challenges posed by the next millenium. What were the factors and circumstances which today conditioned development and which had simply not existed back in the 1960s? How could the qualitative aspects of development be emphasized along with the quantitative factors, in order to improve the quality of life of ordinary people? In focusing attention on income distribution and poverty alleviation, UNCTAD would have to tackle the problem of how to reconcile economic growth with social equality - an issue that called for in-depth research. Then again, there was the question of ensuring the sustainability of development, so that future generations would inherit an enhanced environment and would not blame the people of today for having wasted natural resources.

7. Accordingly, UNCTAD's intergovernmental meetings and its reports would need to be so structured as to make a clear contribution to all these new and emerging aspects of development, and the technical cooperation activities should be geared to translating UNCTAD's work into practical assistance and advice that would help countries to integrate fully into the development effort. Working within the United Nations system in the areas of trade, investment and development, UNCTAD had a duty to generate sound reasons for optimism, so that the globalization of international trade would come to be seen, not as a threat, but as a means to improve the living standards of all peoples.

8. The spokesman for the Group of 77 and China (Cameroon) said that this session of the Board, the first to be held after the milestone of UNCTAD IX, was set to become one of the most significant in the history of UNCTAD. The integration of developing countries into the global economy was a major challenge to the international community. Unless intensive efforts were made to help these countries to benefit from the process of global trade liberalization, many of them would risk being marginalized in world trade, investment, commodities and

capital markets. In the new international trading environment there were indeed new opportunities for all developing countries, but also new risks. The Trade and Development Report 1996 (TDR) hinted at the potentialities for export-oriented industrialization in the globalizing division of labour in the production of manufactures, and made a number of concrete proposals for developing countries on how to make best use of the new opportunities. There could be no doubt that coherent strategies for trade and industrialization were essential at the national level to reach the desired results. But in a highly interdependent world economy, the international trading environment was equally important for successful outward-oriented development. Intensified South-South cooperation was an important ingredient in developing countries' efforts to achieve rapid export-oriented industrialization. New ideas, such as that of an international marketing and information service to assist developing countries in formulating their export strategies and to avoid terms-of-trade losses, as stated in TDR 1996, were very interesting. But it was also crucial for the success of export-oriented development that the developed countries fully honour the commitments they had made in the Final Act of the Uruguay Round, in order to assure greater market access for the developing countries.

9. The problem of high and rising unemployment in a number of major industrialized countries had important implications in this respect. The way in which the developed countries tackled this problem would influence the potential of developing countries to accelerate their economic and social development and to succeed with their outward-oriented policies. It was essential that the problem of unemployment in developed countries should not be solved at the expense of the developing world, and that trade liberalization in the developed countries be completed. The developing countries themselves had already made huge efforts to liberalize their external trade, and their imports of manufactures contributed significantly to employment creation in the developed countries. But the size of these imports was determined by the purchasing power of the developing countries, via rising earnings from exports of manufactures, better prices for primary commodities and sufficient access to external finance.

10. Regarding the availability of external financing from international capital markets, there continued to be great disparities among developing countries. Only a minority of these countries was in a position to raise significant amounts from this source. The great majority remained heavily dependent on official financing. Moreover, the debt problem of many poor countries was far from being resolved. The recent initiative taken by IMF and the World Bank to tackle the debt of the heavily indebted poor countries in a comprehensive way was most welcome, implying as it did a significant reduction in their multilateral debt burden. However, the utmost flexibility should be applied to the eligibility

criteria related to debt relief, so that all heavily indebted poor countries could benefit from it.

11. The Group of 77 and China believed that UNCTAD had an important role to play in promoting a better understanding of the issues involved in the discussion of the Multilateral Agreement on Investment and in helping countries determine their position regarding future developments in the multilateral treatment of foreign direct investment. A better understanding of the role of foreign direct investment, the complex linkages of trade and investment, and the dynamics of business globalization was a precondition for any further development of international arrangements dealing with foreign direct investment. Today, more than ever before, if developing countries sought to trade on a more equal basis, they would need massive investments in all areas. Knowledge and mastery of new technology were more necessary than ever for efficient production and trading.

12. The Group of 77 and China had also noted with satisfaction the progress report covering the UNCTAD secretariat's activities addressing the situation in Africa. The implementation of the New Agenda, adopted in 1991, had a degree of success, contributing to a more favourable climate for international development cooperation. More African countries had made significant progress in a number of key areas in 1995 as compared to 1991. There were, however, a number of critical issues that still required greater efforts during the mid-1990s and beyond, in particular when Africa had to face the challenge of the post-Uruguay Round trading environment. Africa as a region had yet to show tangible signs of a strong recovery and sustained growth. The region's share of world output and trade had continued to shrink, whereas its population had continued to grow. Economic performance in many countries of the region was still characterized by low productivity, management difficulties, and failure to diversify from a narrow production and export base.

13. The Group of 77 and China noted with concern that only limited progress had so far been made in the implementation of the Paris Programme of Action for the Least Developed Countries for the 1990s. Despite this, the LDCs and the island developing countries themselves had, in the face of serious domestic and external difficulties, been implementing economic and political reforms in accordance with the spirit of the Paris Programme of Action. It was therefore imperative that these efforts be fully supported by their development partners, particularly through an increase in external resource flows, urgent and decisive reduction of the debt stock and debt-servicing burden of the LDCs, and improved market access for their exports.

14. There were a number of issues to which his Group attached great importance and it therefore looked forward to an in-depth discussion on the diverse measures necessary to implement the recommendations of UNCTAD IX. Such concerns included the dwindling resources available for technical cooperation, particularly for LDCs and the small island countries. His Group also wished to find an acceptable solution for increasing the participation of developing-country experts in the work of UNCTAD and looked forward to innovative ideas in this regard. With regard to UNCTAD's publication policy, the Group of 77 wished to seek ways and means for strengthening UNCTAD's analytical and intellectual capacity-building, as envisaged in the Midrand final document.

15. The future role of the developing countries in UNCTAD would depend on how the Midrand Declaration and A Partnership for Growth and Development and the mandates of the new Commissions were translated into work programmes and implemented. Serious dialogue and discussion in UNCTAD could, at some point, lead to national and international policy decisions. The achievement of goals agreed upon at Midrand was dependent on the effectiveness of in-depth review, monitoring and follow-up of the substantive recommendations of the Conference. The Commissions and the expert meetings to which they gave rise were expected to function by identifying issues based on high-quality analytical work; intergovernmental consultations, dialogue and interaction aimed at seeking convergence; and, where appropriate, cooperation and action. The forthcoming meetings of the Commissions and experts would present all parties with new challenges, and their loyalty to the Midrand Declaration and A Partnership for Growth and Development would be put to the test in the drive to translate the provisions into operational reality. He trusted whole-heartedly that the international community would soon find the necessary resolve to deal with the problems of the developing countries, so that all countries could benefit from the fruits of their commitments.

16. Brief interventions in support of the statement delivered by the representative of Cameroon on behalf of the Group of 77 and China were made by the spokesmen for the Asian Group (Pakistan), the Latin American and Caribbean Group (Cuba), the African Group (Kenya) and the least developed countries (Bangladesh).

17. The representative of Ireland, speaking on behalf of the European Union, said that the European Union had welcomed the successful outcome of UNCTAD IX and was strongly committed to its full implementation in both letter and spirit, believing that it provided UNCTAD with a clearly defined work programme related to trade and development issues. She saw the past year as a watershed in UNCTAD's history - a year in which the international community had conducted a

fundamental analysis of UNCTAD's role in a globalizing and liberalizing world economy, resulting in a common conclusion about the future direction, necessary work and institutional structure of UNCTAD. The European Union believed it was now time for UNCTAD to focus on the issues of substance set out in its work programme, building on the foundations established at Midrand and refraining from re-opening debates which had been concluded at UNCTAD IX. The States members of UNCTAD must ensure that their dialogue focused on the real needs of developing countries and must seek action-oriented results.

18. At its current session, the Board had two central functions. Firstly, it must review several key policy issues from a trade and development perspective. In this area the European Union looked forward, in particular, to a discussion of the Trade and Development Report's interesting analysis of East Asia's development experience and the lessons it might have for other developing countries. Secondly, the Board had to undertake important managerial tasks essential to the future efficient functioning of UNCTAD, on which the Union expected detailed discussions in such areas as UNCTAD's technical cooperation activities and UNCTAD's publications policy. She believed that the President and the Bureau of the Board would work to ensure that discussions in the Board and in the Commissions were structured and coordinated so as to permit a real and substantive debate. To that end, the Union encouraged efforts to move away from the traditional exchanges of lengthy formal statements of position on individual items. The collective efforts of the Board membership during the current session would set the tone of UNCTAD's deliberations for the coming year and constitute an important test of the new UNCTAD.

19. The documents prepared by the secretariat for the current session of the Board amply demonstrated the depth and breadth of knowledge and analysis available in UNCTAD. They pointed clearly to continuing rapid growth in the flows of world trade and investment, as well as to the important opportunities for development which globalization and liberalization were creating. Indeed, UNCTAD's research showed the many benefits which a wide range of developing countries were reaping from the changing patterns of world trade and investment. The European Union was struck, however, by the growing disparities in economic performance among developing countries and the continuing difficulties which the least developed countries faced in taking advantage of these new trade and investment opportunities. This relative marginalization of the LDCs was a particular focus of the EU's attention. A deeper appreciation was needed of the complex range of economic, social and political factors which combined to inhibit the greater participation of LDCs in the world economy. This was something which should be reflected in all aspects of UNCTAD's work programme.

20. In conclusion, she said that the European Union looked forward to arriving at an outcome of the Board which reflected the new spirit of partnership and cooperation founded at Midrand. In particular, the Union looked forward to the high-level segment and would strive to ensure that this innovation in UNCTAD's work, which opened the door to non-governmental participation, was a success.

21. The representative of the Russian Federation said that his delegation supported the policy of prompt implementation of the decisions taken at UNCTAD IX, both in the area of creating a new intergovernmental mechanism and in adjusting the structure and composition of the secretariat to bring it into line with the current UNCTAD guidelines and tasks. He attached much importance to the confirmation and strengthening of UNCTAD's mandate as the core body on interrelated issues of trade and development in the United Nations system. The work of UNCTAD should be based on the principle of universality, which his delegation regarded as the equal right of any country or group of countries to a proper examination of matters of interest to them. A reasonable balance between trade and development problems should be maintained in the activities of UNCTAD - an organization that possessed sustainable comparative advantages in the integrated examination of development-related issues of trade, technology, investment, services and environmental protection. UNCTAD should maintain its position as the most important forum for "running in" these and other emerging questions in the above-mentioned areas, and in searching for solutions to them. This would facilitate their introduction by mutual agreement into multilateral legal disciplines, when this was considered necessary. There should be a more distinct division of authority between UNCTAD, WTO, ITC and the Bretton Woods institutions on the basis of complementarity and comparative advantages, and he called for coordination and cooperation among them to be strengthened in order to achieve synergy and avoid duplication and parallelism in their work.

22. He noted that positive steps had been taken to restructure the intergovernmental machinery in order to make it more compact, economical and transparent, while ensuring adequate coverage of the priority areas of UNCTAD's activity set forth in the Midrand final document. He was delighted to see that UNCTAD activities which were of importance to his country - such as assistance to developing and transitional economies in integrating into the international trade system, restrictive business practices and competition issues, trade in services, the interrelationship between trade and environment, and the impact of economic regionalization on the multilateral trade system - were duly reflected. UNCTAD's technical cooperation activities were highly appreciated, especially for the part they played in the integration of developing and transitional economies into the world trade system, in the full realization of their rights and capacities in the light of the Uruguay Round Agreements, and

in facilitating accession to WTO. It was very important to promote this field of UNCTAD activity, ensuring at the same time an effective and transparent control of expenses.

23. Finally, it was important to continue to exploit the valuable analytical potential of UNCTAD in considering the key problems of trade and development, with a view to drawing up practical recommendations to facilitate the adoption of adequate political decisions. While recognizing that UNCTAD's publishing policy should be rationalized, his delegation considered that the two basic recurrent reports - the Trade and Development Report and the World Investment Report - should continue to be published.

24. The representative of Japan said that, as all delegations had recognized at UNCTAD IX, full participation of developing countries in world trade did contribute to the alleviation of poverty and generate employment in those countries. The expansion of trade based on comparative advantage was beneficial to both developed and developing countries in the long run. However, developing countries faced various difficulties, particularly in terms of human and institutional capacity-building, expanding exports and implementing the WTO obligations. All parties had agreed in Midrand that UNCTAD should use its expertise to contribute to the further integration of developing countries, particularly the LDCs, into world trade for the purpose of achieving sustainable development. He therefore emphasized the need to have constructive deliberations on substantive issues at the current session of the Board. While being aware of the problems and difficulties ahead, everyone should maintain a constructive approach with a view to fostering an atmosphere of partnership that would show the world that UNCTAD now had a different approach to the challenges on the international economic agenda. It had been said that UNCTAD IX had marked the renaissance of UNCTAD - the replenishment of new ideas and strategies to tackle development problems. It was now time to demonstrate that UNCTAD could produce practical and concrete results.